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IN THE

Supreme Court of the United States

OCTOBER TERM, 1932.

KEYSTONE DRILLER COMPANY,
Petitioner,
vs.
GENERAL EXCAVATOR COMPANY,
Respondent.
} No. 908.

KEYSTONE DRILLER COMPANY,
Petitioner,
vs.
GENERAL EXCAVATOR COMPANY,
Respondent.
} No. 909.

KEYSTONE DRILLER COMPANY,
Petitioner,
vs.
THE OSGOOD COMPANY,
Respondent.
} No. 910.

KEYSTONE DRILLER COMPANY,
Petitioner,
vs.
THE OSGOOD COMPANY,
Respondent.
} No. 911.

RESPONDENTS' BRIEF OPPOSING PETITION FOR WRITS OF CERTIORARI.

STATEMENT OF THE CASE.

Prior to the filing of the instant suits, three of the patents involved here were in suit against the Byers Machine

Company in the United States District Court in Cleveland, Ohio. In that case, the bill of complaint alleged conjoint use by defendant of the inventions of the said patents. The three patents were held valid by the District Court (R. V. I, pp. 10-13) and by the Sixth Circuit Court of Appeals (44 F. (2d) 283).

After the decision of the District Court in the Byers case, the instant suits were filed. Both the bills of complaint and the supplemental bills of complaint in the instant suits alleged conjoint use by the respondents of the inventions of all the patents sued upon. They also alleged the prior adjudication obtained in the Byers case. Motions for preliminary injunctions on each of the patents adjudicated in the Byers case were made, with this prior adjudication being relied upon as the basis for the request for preliminary injunction. These preliminary injunctions were denied, but in lieu thereof, certain bonds were required.

Upon evidence presented by respondents, the District Court in the instant suits wrote an exhaustive Opinion analyzing the actions of the petitioner through its general manager, Downie, and held these actions highly reprehensible, a fraud upon the courts which might subsequently consider the matter, a fraud upon subsequently claimed defendant infringers and a fraud upon the public. The District Court, in these cases, however, held that, because the respondents discovered and forced the disclosure of the fraudulent acts, the doctrine of "unclean hands" should not be applied to bar the relief sought in these suits (R. V. II, pp. 1097-1100).

The Court of Appeals of the Sixth Circuit, upon a hearing of the appeals and cross appeals in the instant cases, agreed that the conduct had been "highly reprehensible" but held that petitioner could not be saved from the effect of its wrong-doing by the forced disclosure of the fraud after the filing of the suits; that its conduct constituted "unclean hands" and should be appraised as of the date of filing of the bills of complaint (R. V. V; pp. 121-124). The court therefore held that because of these facts petitioner should have been denied relief in a court of equity. The decrees of the District Court were reversed, and the causes remanded with instructions to dismiss the bills of complaint without prejudice to the prosecution of suits at law, or indeed, to subsequent actions in equity upon the other patents in suit.

A petition for rehearing was denied and in its memorandum denying the petition for rehearing, the Court of Appeals discussed the cases mainly relied upon here by this petitioner and ruled that they were not in point. The court also discussed petitioner's contention as to the new Equity Rules and pointed out that these Rules "are not intended to change the general nature and characteristics of a court of equity as a court of conscience in which the granting of relief is largely discretionary, and the court is not bound by hard and fast rules" (R. V. V, p. 158).

ARGUMENT.

Summary of the Argument:

A. The court below correctly decided the issues involved in these cases, and its decision is not in conflict with the decision of the Second Circuit Court of Appeals in Maatschappij v. Kosloff, 45 F. (2d), 94, or of the Ninth Circuit Court of Appeals in Williams v. Levy, 54 F. (2d), 18.

B. The decisions of the court below neither conflict with nor construe Equity Rule 26, since petitioner joined its patents under the conjoint rule doctrine and not under Equity Rule 26 and no question of Federal law is involved.

C. There is no question of great public importance involved in these cases.

A.

The doctrine of "unclean hands" was applied by the Court of Appeals in the instant cases on fundamental grounds. The court held that this petitioner took elaborate and successful steps to suppress information upon which the court was entitled to pass, that it obtained a favorable adjudication as a result of these steps and that it used the favorable adjudication in the instant cases in an effort to perpetuate the fraud previously perpetrated.

The court recognized that this petitioner had deliberately joined these patents in the instant cases. It applied the doctrine of "unclean hands" to these cases as a whole

just as did this court in Carrington v. Pratt, 18 How., 63; 15 L. Ed., 267, wherein the court refused relief on a bottomry bond in which fictitious items had been inserted in an attempt to defraud third persons. The fraud being discovered, plaintiff asked that relief be given to the extent of the proper items in the bond. This court, however, refused relief, saying at page 67:

> "By holding the security valid to the extent of the loan, rejecting the excess, the guilty party would risk nothing; for, when detected in the fraud, he would still be enabled to reimburse himself for the amount really due. We have seen that the rule of equity—and which is the rule of admiralty in such cases—refuses to interfere for relief, and leaves the parties where the law finds them."

This is in accord with the doctrine laid down by this court in the following cases: Deweese v. Reinhard, 165 U. S., 386, 390; 41 L. Ed., 757, 758; Manhattan Medicine Co. v. Wood, 108 U. S., 218; 27 L. Ed., 706; Galloway v. Finley, 12 Peters, 264; 9 L. Ed., 1079; Wheeler v. Sage, 1 Wall., 518; 68 U. S., 518; 17 L. Ed., 646.

The decision of the Court of Appeals in refusing relief to petitioner, and in dismissing the bills of complaint because of "unclean hands" is therefore seen to be in accord with the numerous decisions of this court refusing aid to wrong-doers seeking equitable relief whether parts of their claims are free from taint or not.

However, the Court of Appeals also realized that the allegation by the petitioner that the "unclean hands" in respect to one of the patents in suit had no relation to any of the other patents in suit is pure sophistry. This is not

a case wherein five different patents relating to independent subject matter were embodied in a single suit merely for convenience. The alleged inventions of these patents were claimed to be embodied in a single machine. Much stress was placed upon the alleged commercial success of this single machine and this alleged commercial success was relied upon to support claimed validity and breadth of all the patents involved.

In its bills of complaint, the petitioner appealed to the court on the theory that all the patents in suit were to be considered in such a way as to constitute one single cause of action by alleging conjoint use of all the patents to make a single structure. The following paragraph appears as paragraphs 17 in the bills of complaint against the respective respondents (R. V. I, pp. 8, 101):

> XVII. The inventions of the aforesaid patents are susceptible of conjoint embodiment and use in one and the same construction, and have been so conjointly embodied and used in the machines made and sold by defendant as aforesaid.

Similar paragraphs were also contained in the supplemental bills of complaint (R. V. I, pp. 48, 143).

It will thus be seen that the petitioner in these suits was not joining separate and independent patents wholly unrelated to each other, as may be done under the present Equity Rule 26, but that the petitioner was following the practice prior to the adoption of the Equity Rule 26 of joining in one suit a plurality of patents where the inventions covered by those patents embodied one infringing process, machine, manufacture, or composition of matter (Walker on Patents, Sec. 468, 6th Ed.).

The petitioner now seeks to shift its ground and allege that these patents were joined in one suit under the authority of Equity Rule 26, which was really promulgated to permit joinder of unrelated causes of action and did not modify the conjoint use doctrine.

The attempt of petitioner to make it appear that its wrong-doing was confined solely to one patent in suit, and that as to the other patents its conduct was unsullied will not bear analysis. While in the beginning before any suits were filed the petitioner's wrongful conduct was confined to obtaining unlawful agreements to suppress public use evidence as to Downie Patent 1,511,114, yet once suits were brought, the various steps taken by petitioner to make this suppression and concealment of evidence relating to Downie Patent 1,511,114 effective, contaminated the entire suit. The Downie Patent 1,511,114 as to which the wrongful acts began was the principal patent upon which the petitioner relied in the Byers case.

Thus, though the evidence suppressed had to do with the validity of Downie Patent No. 1,511,114, the claim of validity of all of the patents involved is based upon much testimony as to the utility and commercial success of the single machine alleged to embody the subject matter of the other patents in suit as well as of this Downie patent. The patents were presented as a group representing a single continuous development by petitioner.

Therefore, we are not dealing with unrelated patents merely joined in a single bill of complaint for convenience. We are dealing with patents alleged to be conjointly used. Moreover, petitioner so made its record in these cases that

the testimony as to utility and commercial success of the device of Downie Patent 1,511,114 is not separable from the testimony as to utility and commercial success of the devices of the other patents in suit. In other words, if the court below had felt disposed to pass upon the questions of invalidity and infringements of the other patents in suit, it would have been faced with the impossible task of separating the testimony relating to these other patents from that relating to that of Downie Patent 1,511,114. This situation was created by petitioner with full knowledge of its fraudulent acts and in a deliberate attempt to perpetuate the benefits which it had fraudulently obtained.

The court below on petition for rehearing (R. V. V, pp. 157, 158) considered and clearly distinguished the cases of Maatschappij v. Kosloff, 45 F. (2d), 94, and in re Meyerfeld, 46 F. (2d), 665, affirmed in Williams v. Levy, 54 F. (2d), 18.

The case of Maatschappij, etc. v. Kosloff, 45 F. (2d), 94, presented no such situation as is here involved. In that case, the plaintiff's suit was based on two distinct grounds. One ground was infringement of certain registered trade-marks. The other ground was unfair competition by simulation of wrappers for the articles being sold, particularly by imitating the selection of colors and arrangement of lettering.

"Unclean hands" was charged because of alleged false statements made in application for registration of the trade-mark. The court reached the conclusion that the statements alleged to be false were, in fact, true. Since this disposed of the question of "unclean hands," the fur-

ther statement that if "unclean hands" had been proved this would not bar relief on the ground of unfair competition, was merely obiter dictum.

But the fact that a Court of Appeals of one circuit makes a statement, by way of obiter dictum, which is contrary to a decision of a Circuit Court of Appeals of another circuit is no such conflict as will justify the issuance of a writ of certiorari. Where there is an absence of conflict between the decisions of the Circuit Courts of Appeals, the writ of certiorari will be denied. Layne & Bowler v. Western Well Works, 261 U. S., 387; 67 L. Ed., 712.

As a matter of fact, however, the statement by the court in that case was not contrary to the holding of the court below in the instant cases. The cause of action on the trade-mark registration in that case was entirely independent of the cause of action on unfair competition, the rights are of a different nature, and the court held that the alleged fraud as to the former did not affect the latter. But, in the present case, the rights sought to be protected are all patent rights alleged to be conjointly used and the urging of the fraudulently obtained adjudication and commingling of the testimony as to all patents made the suit an integral suit which was tainted throughout with fraud.

Therefore, in the instant cases, the wrong-doing having been directly connected with the patent rights sought to be enforced, the court below was perfectly right in dismissing the bills of complaint on the grounds of "unclean hands" and there is nothing in Maatschappij v. Kosloff which holds to the contrary. Nor is there any conflict between circuits.

The case of in re Meyerfeld, 46 F. (2d), 665, affirmed in Williams v. Levy, 54 F. (2d), 18, relied upon by petitioner, is even less pertinent. In this case, Levy had advanced all of the money for the purchase of a piece of property by Harry Meyerfeld. The undisputed evidence showed that, for reasons of business convenience, the legal title to the property was retained by Meyerfeld, though the equitable title was held by Levy. When Meyerfeld became bankrupt, Levy made claim to his property and offered a deed as further evidence of this title. The referee held that the deed was not genuine, though the court called attention to the fact that this holding was upon sharply conflicting evidence. The court merely rejected this evidence and held that it was unnecessary, in view of the fact that the undisputed evidence showed the establishment of a resulting trust. It said that the finding that the deed was not genuine could have the effect only of leaving the question open as to whether there was a charge to be ascertained in favor of the bankrupt for reasonable compensation for the use of his name with respect to this particular lot, and which charge might be determined to be a lien against it.

This was merely the rejection of a piece of evidence of doubtful validity, with the holding that the other evidence in the case clearly showed the establishment of a resulting trust. It is a far cry from that case to the present one wherein the petitioner, after obtaining a favorable adjudication of a group of patents by fraudulently depriving the court of free access to information regarding a prior public use against an important patent of that group deliberately

urges this fraudulently obtained adjudication in an attempt to take further advantage of the court already deceived. In the one case, as pointed out by the court below, the claimant did not undertake to initiate proceedings for his own relief in a court of equity but was brought into such court against his will and founded his claim upon two contentions as to one of which he fabricated evidence. As pointed out by the court below, "The relief which was sought on the alleged resulting trust theory in no sense could be said to be 'founded on the unlawful thing done or intended to be done.'" (R. V. V, pp. 157, 158). But in the present case, the relief sought was founded on fraudulently obtained adjudication and with deliberate knowledge and intent to defraud the court which had already been defrauded to obtain such adjudication.

It is clear that there is no conflict whatever between the decision of the court below and the decisions of the Second Circuit Court of Appeals in Maatschappij v. Kosloff, 45 F. (2d), 94, and of the Ninth Circuit Court of Appeals in Williams v. Levy, 54 F. (2d), 18. The Maatschappij case merely contains obiter dicta about the doctrine of "unclean hands". The Williams case merely rules that a forged piece of evidence cannot nullify a resulting trust clearly established to exist by undisputed evidence and not founded on the forged piece of evidence. Neither holding is in conflict with the holding by the court below that the petitioner, having deliberately defrauded the court in the Byers case by fraudulently obtaining a favorable adjudication, and by urging in the instant cases, such fraudulent adjudication, is barred from relief in equity because of "unclean hands".

B.

General Equity Rule 26 has no bearing on the present situation. The Rule was made for the purpose of permitting the joinder of causes of action in a single bill even where those causes of action are wholly independent, separate and distinct.

The court below did not construe Equity Rule 26. The court merely said (R. V. V, p. 158):

> "Such new equity rules are not intended to change the general nature and characteristics of a court of equity as a court of conscience in which the granting of relief is largely discretionary and the court is not bound by hard and fast rules. Cf. Pope Mfg. Co. v. Gormully, 144 U. S., 224, 236-7."

This is merely a succint statement of a fact, obvious to anyone, that the new Equity Rules were not intended to restrict the doctrine of "unclean hands". It certainly cannot be construed to be a holding that a plaintiff is not entitled to join several patents in one cause of action. In fact, the ruling by the court below holds that the plaintiff may join several patents in a single cause of action.

One point that petitioner omits to set forth is that it joined the patents in suit of its own volition and that it alleged and proved conjoint use. Petitioner also omits to make it clear that, of its own volition, it relied upon prior adjudication, fraudulently obtained, in the filing and prosecution of the present suits. A still further point that petitioner omits to state is that, of its own volition, it partially based its claim for relief on the allegation that the devices of the several patents involved had utility and

commercial success in a single machine and, in addition, that the machine alleged to infringe in each suit was a single machine alleged to embody all of the devices of all of the patents in that suit.

These facts were all before the court below, which could not fail to realize the interdependence of the patents sued upon and, more particularly, the impossibility of unscrambling the record which has resulted from these voluntary acts of petitioner.

It was obvious, in view of these plain facts, that the fraudulent acts of petitioner, though originally relating primarily to one patent, had been broadened by the urging of the fraudulent adjudication and had resulted in the building up of a record wherein the evidence relating to the one patent in question could not be separated from the evidence relating to the other patents in question.

As pointed out above, the petitioner now seeks to shift its position in an attempt to obtain consideration by this court. Having joined its patents by alleging conjoint use and having conducted these cases through the District Court and the Court of Appeals on the conjoint use theory, petitioner now seeks to convince this court that its patents were joined under the authority of Equity Rule 26 which was made to permit the joining of unrelated causes of action and not the joining of patents conjointly used. Petitioner may not thus shift its basis of claim in order to obtain consideration by this court on certiorari. Plamals v. The Pinar Del Rio, 227 U. S., 151; 72 L. Ed., 827, 48 Sup. Ct., 457. Merely advancing the specious misstatement that the Court of Appeals has erroneously construed

an Equity Rule which was, in fact, not involved in these suits does not justify any such procedure.

The case of Leeds & Catlin v. Victor Talking Machine Co., 213 U. S., 301; 53 L. Ed., 805, is not in point. It presents no such situation as the present one, wherein the petitioner has fraudulently obtained a favorable adjudication of a group of patents and attempted to perpetuate this fraud in a second suit by urging this fraudulently obtained favorable adjudication to constrain and limit the defenses available to the respondents.

Obviously, the expiration of a foreign patent showing the subject matter of one claim of a U. S. patent cannot affect the validity of another claim for entirely different subject matter not shown in the foreign patent. But where fraud enters into the situation, an entirely different case is presented. Thus, in Carrington v. Pratt, 18 How., 63, 15 L. Ed., 267, it was pointed out that a bottomry bond may be good and bad in parts where improper items were embraced within the bond from inadvertence or mistake and entirely consistent with the good faith of the parties in the transaction. However, it was further pointed out that entirely different principles control where the objectionable items are fictitious, and inserted in the bond with the intent to defraud third persons. In this case, this court refused relief on the ground of "unclean hands".

Petitioner refers to the case of Pope Mfg. Co. v. Gormully, 144 U. S., 224; 36 L. Ed., 414, 419, as authority for its statement that refusal of relief on the ground of "unclean hands" is no different from refusal of relief on the ground that the court has no jurisdiction. This case is no

authority for such a proposition. The case is, however, authority for the proposition that a plaintiff must come into equity with clean hands and that he will be denied relief in a court of equity if he has been guilty of unconscionable conduct.

Pope Mfg. Co. v. Gormully, et al., 144 U. S., 238; 36 L. Ed., 420, was primarily a suit for infringement of patents. The court said the separate ground for recovery based upon the alleged violation of a certain contract had been disposed of in a separate suit, concurrently decided, adverse to plaintiff, and would not be considered for that reason. The court then proceeded to an adjudication of the patents. This is in no sense parallel to the present situation wherein a public use as to one of the patents of a group was suppressed by positive steps of the petitioner, who then proceeded to obtain fraudulent decrees, for the purpose of oppressing competitors.

The case of General Electric Co. v. Marvel Rare Metals Co., 77 L. Ed., 239, is not in point here. This case merely held that a plaintiff suing a defendant in a district of which it is not an inhabitant or in which it has not committed acts of infringement is nevertheless subject to counterclaim because it has waived jurisdiction by the bringing of the suit in defendant's district. The case does state that Equity Rule 30 is without force as against conflicting statutory provisions. But this is a fact which is obvious without statement. It might be said, however, that as pointed out it is equally true that an Equity Rule is without force as against the established doctrine that a plaintiff must come into equity with clean hands. This is even

better expressed by the court below in the following language, at R. V. V, p. 158:

> "Such new equity rules are not intended to change the general nature and characteristics of a court of equity as a court of conscience in which the granting of relief is largely discretionary and the court is not bound by hard and fast rules. Cf. Pope Mfg. Co. v. Gormully, 144 U. S., 224, 236-7."

The contention advanced in Section *C* on page 16 of petitioner's brief is manifestly absurd. Certainly, the Court of Appeals has not suggested that, where several unrelated patents are joined in a bill of complaint under Equity Rule 26, the holding of one patent invalid, or not infringed, bars relief on the other patents. The court has not even taken this position as to suits wherein several patents are joined under the conjoint use doctrine.

The court below has merely realized that each of these suits is an integral suit; that the fraud, originating as to one patent, has spread to the entire suit through the voluntary acts of petitioner in urging fraudulently obtained adjudications and commingling its proofs as to all patents; and that the whole matter is so tainted with fraud that the petitioner is not entitled to relief in equity in these suits. A holding that these suits are tainted throughout with fraud is certainly not a nullification of Equity Rule 26 in any degree.

Petitioner throughout its brief refers to the maxim of "unclean hands" as solely a defense available to the respondents or urged by them. It is more than a defense. It is used by the courts of equity, frequently on their own mo-

tion, to protect themselves against being used as an instrument for the perpetuation of a fraud or of benefits gained through fraud.

Petitioner argues on page 16 of its brief that the inescapable conclusion from the ruling of the Circuit Court of Appeals is that petitioner should have filed a separate bill of complaint on each of the patents in suit, so as to avoid any possibility that a defense as to one of the patents only would defeat recovery on the other patents, and that this would multiply litigation and increase the burden of litigation to the courts and to the parties. In the Byers case and in the instant cases, petitioner relied upon the conjoint use of the several patents, each to strengthen the other. Since it relied upon the first Downie patent and the alleged commercial success and utility of the device of this patent to strengthen the other patents in the suit, to claim a unit value for the group, the group and their joint strength are necessarily affected by the fraud perpetrated in connection with that patent. Petitioner, having made its bed, must lie in it, and cannot now complain.

C.

No such grave matters are involved in these cases as to justify a review by this court.

The power to grant the writ asked for is to be exercised only in cases of great public importance (Forsyth v. Hammond, 166 U. S., 506, 17 Sup. Ct. Rep., 665, and cases there cited).

It is not to be exercised in cases involving only private rights or matters of fact pertinent only to the particular

action (Chicago & N. W. Ry. Company v. Osborne, 146 U. S., 354, 13 Sup. Ct. Rep., 281; Southern Power Company v. North Carolina Public Service Company, 263 U. S., 508, 44 Sup. Ct. Rep., 164).

CONCLUSION.

It is, therefore, respectfully submitted that this case is not one calling for the exercise by this court of its supervisory powers, and this petition should be denied.

Respectfully submitted,

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